

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name HAZEL PARK MEMORIAL LIBRARY	County OAKLAND
Fiscal Year End 06/30/06	Opinion Date NOVEMBER 30, 2006	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

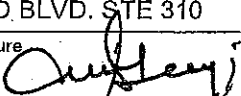
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See Instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	NOT REQUIRED	
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ALAN C YOUNG & ASSOCIATES, P.C.		Telephone Number (313) 873 7500		
Street Address 2990 W. GRAND BLVD. STE 310		City DETROIT	State MI	Zip 48202
Authorizing CPA Signature 		Printed Name ANIL SAKHUJA		License Number 110102118

# **Hazel Park Memorial Library**

---

**Financial Report  
with Supplemental Information  
June 30, 2006**

# **Hazel Park Memorial Library**

---

## **Contents**

<b>Report Letter</b>	<b>I</b>
<b>Basic Financial Statements</b>	
General Fund Balance Sheet/Statement of Net Assets	2
Statement of General Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	3
Notes to Financial Statements	4-10
<b>Required Supplemental Information</b>	<b>II</b>
Budgetary Comparison Schedule - General Fund	12

**Alan C.  
Young & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

---

2990 W. Grand Blvd., Suite 310  
Detroit, MI 48202

(313) 873-7500  
(313) 873-7502 (Fax)  
[www.alancyoung.com](http://www.alancyoung.com)

**Independent Auditor's Report**

To the Board of Directors  
Hazel Park Memorial Library

We have audited the accompanying basic financial statements of the Hazel Park Memorial Library as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Hazel Park Memorial Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Hazel Park Memorial Library as of June 30, 2006 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Alan C. Young & Assoc.*

November 30, 2006

# Hazel Park Memorial Library

## General Fund Balance Sheet/Statement of Net Assets June 30, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Net Assets - Full Accrual Basis
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 129,469	\$ -	\$ 129,469
Other receivables	-	-	-
Due from other governmental units	6,936	-	6,936
Depreciable capital assets - Net (Note 4)	-	918,370	918,370
Total assets	<u><b>\$ 136,405</b></u>	918,370	1,054,775
<b>Liabilities</b>			
Accounts payable	\$ 3,998	-	3,998
Accrued and other liabilities	3,110	-	3,110
Long-term liabilities (Note 7):			
Accumulated employee benefits - Due within one year	-	5,137	5,137
Accumulated employee benefits - Due in more than one year	-	26,060	26,060
Total liabilities	7,108	31,197	38,305
<b>Fund Balance - Undesignated</b>	<u>129,297</u>	<u>(129,297)</u>	<u>-</u>
Total liabilities and fund balance	<u><b>\$ 136,405</b></u>	<u>(98,100)</u>	<u>38,305</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt		918,370	918,370
Unrestricted		98,100	98,100
Total net assets		<u><b>\$ 1,016,470</b></u>	<u><b>\$ 1,016,470</b></u>

# Hazel Park Memorial Library

## Statement of General Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2006

	General Fund, Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities, Full Accrual Basis
<b>Operating Revenue</b>			
Property taxes	\$ 458,180	\$ -	\$ 458,180
State aid	13,698	-	13,698
Penal fines	25,343	-	25,343
Donations	220	-	220
Interest	14,446	-	14,446
Other	17,467	-	17,467
Total operating revenue	529,354	-	529,354
<b>Operating Expenditures</b>			
Salaries and fringes	310,734	(2,613)	308,121
Supplies	13,495	-	13,495
Professional services	44,348	-	44,348
Utilities	28,325	-	28,325
Maintenance	22,403	-	22,403
Insurance	15,013	-	15,013
Collection	48,145	(48,145)	-
Capital outlay	12,021	(12,021)	-
Depreciation	-	150,864	150,864
Other operating expenditures	7,150	-	7,150
Total operating expenditures	501,634	88,085	589,719
<b>Change in Fund Balance/Net Assets</b>	27,720	(88,085)	(60,365)
<b>Fund Balance/Net Assets - July 1, 2005</b>	101,577	975,258	1,076,835
<b>Fund Balance/Net Assets - June 30, 2006</b>	<u>\$ 129,297</u>	<u>\$ 887,173</u>	<u>\$ 1,016,470</u>

# Hazel Park Memorial Library

---

## Notes to Financial Statements June 30, 2006

### **Note I - Nature of Organization and Summary of Significant Accounting Policies**

Hazel Park Memorial Library (the "Library") is located in the City of Hazel Park, Michigan (the "City"). The Library is primarily funded through a tax levy, fines, and fees. Revenue is used to operate and staff the Library.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

#### **Reporting Entity**

The Library is governed by a six-member elected board. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

#### **Modified Accrual and Full Accrual Data**

The Library has one fund, the General Fund, which is the Library's primary operating fund.

The General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

# Hazel Park Memorial Library

## Notes to Financial Statements June 30, 2006

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

In addition to presenting information for the General Fund on the modified accrual basis (as budgeted), the basic financial statements present information for the Library as a whole using the economic resources measurement focus and the accrual basis of accounting. This information is intended to demonstrate the degree to which taxpayers have funded the full cost of services received. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

#### **Financial Statement Amounts**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Capital Assets** - Generally, capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building improvements	10-20 years
Furniture and equipment	5-20 years
Collection	3-5 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.



# Hazel Park Memorial Library

## Notes to Financial Statements June 30, 2006

### Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Property Taxes** - Properties are assessed as of December 31. The related property taxes are billed on July 1 and become a lien on the following December 1. The taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The 2005 taxable valuation totaled \$289.4 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 1.5508 mills for operating purposes. This resulted in approximately \$447,000 in tax revenue.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Reconciliation of General Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance on the modified-accrual basis of accounting to net assets presented on the full-accrual basis:

<b>Total Fund Balance - Modified Accrual Basis</b>	<b>\$ 129,297</b>
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	918,370
Compensated absences are included as a liability	<u>(31,197)</u>
<b>Net Assets - Full Accrual Basis</b>	<b><u>\$ 1,016,470</u></b>

# Hazel Park Memorial Library

## Notes to Financial Statements June 30, 2006

### Note 2 - Reconciliation of General Fund Financial Statements to Government-wide Financial Statements (Continued)

The following is a reconciliation of the changes in fund balance on the modified accrual basis to the change in net assets on the full accrual basis:

<b>Net Change in Fund Balances - Modified Accrual Basis</b>	<b>\$ 27,720</b>
Amounts reported in the statement of activities are different because:	
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Library books, periodicals, audiovisual materials, etc.	48,145
Capitalized capital outlay	12,021
Depreciation	(150,864)
Accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>2,613</u>
<b>Change in Net Assets - Full Accrual Basis</b>	<b><u>\$ (60,365)</u></b>

### Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library does not have any specified financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the authorized investment vehicles listed above. The Library's deposits and investment policies are in accordance with statutory authority.

# Hazel Park Memorial Library

## Notes to Financial Statements June 30, 2006

### Note 3 - Deposits and Investments (Continued)

The Library's cash and investments are subject to several types of risk, which are examined in more detail below.

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had approximately \$167,500 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. At year end, the Library had no investment securities that were uninsured and unregistered held by the counterparty or by its trust department or agent, but not in the Library's name.

### Note 4 - Capital Assets

Capital asset activity of the Library is as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Capital assets being depreciated:				
Building improvements	\$ 36,896	\$ -	\$ -	\$ 36,896
Furniture and equipment	385,977	12,021	-	397,998
Collections - Library books, CDs, and audio/visual	1,336,855	48,145	(5,000)	1,380,000
Subtotal	1,759,728	60,166	(5,000)	1,814,894
Accumulated depreciation	(750,660)	(150,864)	5,000	(896,524)
Net capital assets	\$ 1,009,068	\$ (90,698)	\$ -	\$ 918,370

# Hazel Park Memorial Library

## Notes to Financial Statements June 30, 2006

### Note 5 - Budget Information

The annual budget is prepared by the library director and adopted by the library board; subsequent amendments are approved by the library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the library board can be seen by examining the totals in the budgetary comparison schedule - General Fund in the required supplemental information section.

**Excess of Expenditures Over Appropriations** - During the year, the Library incurred expenditures that were in excess of the amounts budgeted as follows:

	Amended Budget	Actual	Variance
Employer's social security	\$ 18,050	\$ 18,098	\$ (48)
Pension contribution	18,608	26,727	(8,119)
Office supplies	10,748	11,134	(386)

### Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for property loss, torts, errors and omissions, and employee injuries (workers' compensation claims) through the Michigan Municipal League. The Library participates in the City of Hazel Park's self-insurance program for medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Library pays premiums to the City of Hazel Park's medical benefits self-insurance program. The City uses premiums collected from the Library and from City funds to pay for health care benefits for Library and City employees. Although premiums are paid to the City's self-insurance program and those premiums are used to pay claims, the ultimate liability for those claims remains with the Library.

# Hazel Park Memorial Library

---

## Notes to Financial Statements June 30, 2006

### Note 7 - Defined Benefit Pension Plan

**Plan Description** - The Library contributes to the City of Hazel Park's Employees' Retirement System, a cost-sharing, multiple-employer defined benefit pension plan administered by the City of Hazel Park, Michigan. The plan, which covers all employees of the City and the Library, provides retirement, disability, and death benefits to plan members and their beneficiaries. The City of Hazel Park's Employees' Retirement System is included in the City of Hazel Park's financial statements. That report may be obtained from the City offices at 111 E. Nine Mile Road, Hazel Park, Michigan.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 5 percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates. The Library made a contribution to the plan for the year ended June 30, 2006 of \$26,727.

### Note 8 - Postemployment Benefits

The Library provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, there is one retiree eligible. The Library includes pre-Medicare retirees and their dependants in its insured health care plan, with no contribution required by the participant. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; there were approximately \$7,800 of expenditures during the year.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the full accrual statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

## **Required Supplemental Information**

---

# Hazel Park Memorial Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Originally Adopted Budget	Final Amended Budget	Actual Balance	Variance Favorable (Unfavorable)
<b>Operating Revenue</b>				
Property taxes	\$ 441,615	\$ 441,615	\$ 458,180	\$ 16,565
State aid	16,000	16,000	13,698	(2,302)
Penal fines	27,000	27,000	25,343	(1,657)
Donations	10,000	10,000	220	(9,780)
Interest	2,000	2,000	14,446	12,446
Other	16,400	16,400	17,467	1,067
Total operating revenue	513,015	513,015	529,354	16,339
<b>Operating Expenditures</b>				
Salaries and fringes	328,464	323,215	310,734	12,481
Supplies	12,500	13,248	13,495	(247)
Professional services	37,000	48,979	44,348	4,631
Utilities	28,075	28,967	28,325	642
Maintenance	13,600	22,898	22,403	495
Insurance	17,000	17,000	15,013	1,987
Collection	56,000	56,000	48,145	7,855
Capital outlay	10,000	12,021	12,021	-
Other operating expenditures	20,376	9,687	7,150	2,537
Total operating expenditures	523,015	532,015	501,634	30,381
<b>Change in Fund Balance/Net Assets</b>	(10,000)	(19,000)	27,720	46,720
<b>Fund Balance/Net Assets - July 1, 2005</b>	101,577	101,577	101,577	-
<b>Fund Balance/Net Assets - June 30, 2006</b>	<u>\$ 91,577</u>	<u>\$ 82,577</u>	<u>\$ 129,297</u>	<u>\$ 46,720</u>